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15 April 1955

MEMORANDUM FOR: Assistant Director/Research and Reports

SUBJECT : Serious Differences of Opinion between Hong Kong
Consul and ORR on Chicom Production

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1. [REDACTED] Consul General
Drumwright presented discussion of China's economic progress and heavily
discounted the key production statistics offered in Chou En Lai's speech
of last summer. I quote below from my notes:

<u>1954</u>	<u>Chou En Lai</u>	<u>Peasley* Estimate</u>
Pig Iron	3.03 MT	1.96
Steel	2.17	1.1
Cement	4.73	less than 3.6
Coal	81.99	56
Electric KWK	10.8	about 5.9
Cotton yarn	4.6	3.2

"Incongruities and discrepancies appear in most Chicom production figures when they are collated. Most of the 600 projects planned or underway are small scale items or rehabilitation schemes involving existing plants. It seems fairly clear that practically all of the Soviet assistance must be paid for by the Chinese export of commodities needed by the USSR.

"In the first two years of a five year plan only 27% of total plan investment has been made. "

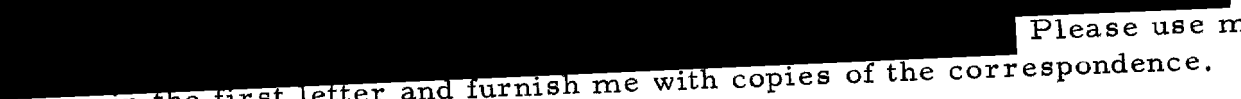
2. I told Drumwright that we were much more inclined to buy the announced Chicom figures and would be glad to write him our reasons therefor. I went on to say that I thought it would be highly constructive if our China branch engaged in direct correspondence with his analytical group and he enthusiastically concurred.

3. I suggest, therefore, that you take this discrepancy matter as the topic of the first of such letters, that you be sure you have reviewed any Hong Kong dispatches which may amplify the Consulate's reasons for their

* Peasley is an economic analyst concentrating on internal Chicom matters for the Consulate.

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skepticism and that you set forth in full, attaching finished ORR studies as appropriate, your reasoning and calculations.

 Please use my name in the first letter and furnish me with copies of the correspondence.

ROBERT AMORY, JR.
Deputy Director /Intelligence

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